

Message Text

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ACTION EUR-12

INFO OCT-01 IO-13 ISO-00 CIAE-00 DODE-00 INR-07 NSAE-00
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FM AMEMBASSY LONDON
TO SECSTATE WASHDC 0664
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AMEMBASSY COPENHAGEN
AMEMBASSY DUBLIN
AMEMBASSY THE HAGUE
AMEMBASSY LUXEMBOURG
AMEMBASSY PARIS
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USMISSION GENEVA
AMEMBASSY STOCKHOM
USNMR SHAPE

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E.O. 11652: N/A
TAGS: ELAB, PINT, UK
SUBJECT: THE NEXT WAGE ROUND - ONE TRADE UNIONIST'S VIEW

REF: LONDON 2492

SUMMARY. DURING A LUNCHEON MEETING WITH SEVERAL LABOR
ATTACHES ON FEBRUARY 9, ALAN FISHER, GENERAL SECRETARY OF
THE NATIONAL UNION OF PUBLIC EMPLOYEES (NUPE) -- WITH
OVER 600,000 MEMBERS -- DETAILED SOME OF THE PROBLEMS
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WHICH MAKE A THIRD ROUND OF WAGE RESTRAINT SO DIFFICULT.
FISHER'S REMARKS WERE MADE AFTER HE HAD ATTENDED THE TUC
ECONOMIC COMMITTEE MEETING THE SAME DAY, DURING WHICH PAY
STRATEGY HAD BEEN DEBATED. HE BELIEVES THAT DESPITE THE
DIFFICULTIES, A PAY DEAL COULD BE WORKED OUT BETWEEN THE
TUC AND THE GOVERNMENT, BUT HE ALSO ACKNOWLEDGED THE
SPREAD OF OPPOSITION TO A THIRD ROUND EMERGING AMONG A

NUMBER OF UNION LEADERS AND GROUPS OF WORKERS WHICH COULD
LEAD TO A FREE-FOR-ALL ON WAGES AFTER JULY 31. END
SUMMARY.

1. FISHER SAID THAT THE CLIMATE SURROUNDING THE NEGOTIA-
TIONS OF A THIRD ROUND IS QUITE DIFFERENT TODAY THAN WHEN
THE GOVERNMENT WAS SEEKING TUC ASSENT TO THE TWO PREVIOUS
YEARS OF PAY RESTRAINT. BOTH OF THE PREVIOUS ACCORDS
WERE ACHIEVED IN AN ATMOSPHERE OF "PANIC" SUCH AS IN 1975
WHEN THE GOVERNMENT ARGUED THAT THERE WOULD HAVE TO BE A
GENERAL ELECTION, WHICH LABOR COULD LOSE, IF THE WAGE
SPIRAL CONTINUED TO RISE. IN 1976, HE SAID, THE GOVERN-
MENT ARGUED THAT THE POUND WOULD FALL CATASTROPHICALLY IF
THERE WERE NO AGREEMENT.

2. THIS TIME, HOWEVER, FISHER BELIEVES THE SITUATION IS
DIFFERENT AND "DOOMSDAY" THREATS IN AN ATMOSPHERE OF PANIC
ARE NOT POSSIBLE. THE COUNTRY, IN HIS VIEW, IS BEGINNING
TO COME OUT OF RECESSION (FISHER SPOKE BEFORE THE SHARP
DROP IN THE POUND ON FEBRUARY 14). MOREOVER, THE
GOVERNMENT IS ACKNOWLEDGING THAT IT HAS NOT BEEN ABLE TO
MEET ITS SIDE OF THE BARGAIN INHERENT IN THE SOCIAL CON-
TRACT -- REDUCING UNEMPLOYMENT AND CONTROLLING INFLATION
-- WHILE THE UNIONS HAVE BEEN FULLY COOPERATIVE ON THEIR
SIDE. FISHER ACCEPTED THAT THE GOVERNMENT HAD MADE
SIGNIFICANT MOVES TO HELP THOSE ON WELFARE AND SOCIAL
SECURITY, BUT EVERYONE ELSE HAD SUFFERED IN THE FALL OF
LIVING STANDARDS.

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3. IN VIEW OF THE DIFFICULTIES, THE BIG QUESTION WAS
WHETHER A FURTHER WAGE ROUND ACCORD WOULD BE ACHIEVED.
THE TUC HAD CONSIDERED THIS MATTER CAREFULLY AND APPEARED
TO BE ADOPTING A "WAIT AND SEE" ATTITUDE. IT HAD JUST
PRODUCED ITS DRAFT PRE-BUDGET ECONOMIC REVIEW, IN WHICH
IT EXHORTED GOVERNMENT TO ADOPT CERTAIN BUDGETARY MEAS-
URES SUCH AS TAX CUTS BY REDUCING THE SO-CALLED "STANDARD
RATE" OF TAX FROM 35 TO 25 PERCENT, RELATION BY ABOUT 2
BILLION POUNDS, PENSION INCREASES OF 4 POUNDS A WEEK FOR
MARRIED COUPLES, A NEW PRICES AGENCY, INCREASES IN THE
ALLOCATION OF FUNDS FOR JOB CREATION. (THE ECONOMIC REVIEW
IS PREPARED BY THE TUC'S ECONOMIC DEPARTMENT, HEADED BY
DAVIE LEA, AND IS ULTIMATELY SUBMITTED TO THE GOVERNMENT
IN ORDER TO INFLUENCE ITS BUDGET PROPOSALS.) ANOTHER
MEETING OF THE ECONOMIC COMMITTEE TO COMPLETE DISCUSSION
ON THE REVIEW IS SCHEDULED FOR FEBRUARY 16.

4. THE TUC, SAID FISHER, PLANS TO HOLD A SPECIAL CONFER-
ENCE AFTER THE BUDGET IN ORDER TO DETERMINE ITS STANCE ON

THE OVERALL SOCIAL CONTRACT, INCLUDING WAGE POLICY. FOR THE MOMENT, IT IS KEEPING ITS OPTIONS OPEN. IT IS COMMITTED BY A RESOLUTION OF ITS BRIGHTON CONGRESS LAST SEPTEMBER TO STRIVE FOR A "PLANNED AND ORDERLY RETURN TO FREE COLLECTIVE BARGAINING" BUT, HE EMPHASIZED, IT HAS SURROUNDED THIS COMMITMENT WITH CERTAIN QUALIFICATIONS. THESE INCLUDE DEMANDS FOR PRESERVATION OF PAY DIFFERENTIALS, CONSOLIDATION OF THE LAST TWO PAY INCREASES INTO THE BASIC PAY STRUCTURE OF THE NEXT PAY ROUND (THUS PROVIDING EXTRA MONEY FOR BONUS AND OVERTIME PAY), THE REMOVAL OF PAY ANOMALIES, AND OTHER CONDITIONS.

5. FISHER SAID THAT OPINIONS WITHIN THE TUC ARE DIVIDED ON THE BASIC MERIT OF INCOMES POLICIES. SOME UNIONS LIKE THEM AND SOME DON'T. HIS OWN MEMBERS, FOR EXAMPLE, WHO LACKED THE MUSCLE AVAILABLE TO UNIONS IN INDUSTRY, HAD SOME ASSURANCE OF PAY INCREASES THROUGH WAGE ROUNDS LIMITED OFFICIAL USE

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LIKE THOSE OF THE LAST TWO YEARS. STREET CLEANERS, WORKERS IN SCHOOL CAFETERIAS, OR MEMBERS OF OTHER PUBLIC SERVICE UNIONS, SUCH AS TEACHERS, CANNOT USE THE STRIKE WEAPON AS EFFECTIVELY AS WORKERS IN MANUFACTURING INDUSTRY. ON THE OTHER HAND, FISHER RECOGNIZED AND APPRECIATED, HE SAID, THE PROBLEMS CREATED BY INCOMES POLICIES AND THE NEED TO BALANCE ALL OF THE FACTORS.

6. AS FOR THE TAX REDUCTION TRADE-OFF FOR PAY RESTRAINT, MANY RANK AND FILE MEMBERS PREFERRED ACROSS-THE-BOARD PAY

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RISES TO TAX CONCESSIONS, EVEN IF THE LATTER WERE
CONSIDERED BENEFICIAL. WHAT IS IMPORTANT IS THE TOTAL
PACKAGE. HE ESTIMATED THAT IF A DEAL IS EVENTUALLY
AGREED, IT MIGHT INCLUDE A 7 PERCENT PAY RISE, WITH A
FLAT MINIMUM OF ABOUT 4 POUNDS PER WEEK. THE 7 PERCENT
WOULD BE AN OVERALL PAY INCREASE AND INDIVIDUAL UNIONS
COULD THEN NEGOTIATE WITH THEIR EMPLOYERS IN AN EFFORT TO
ALLEVIATE THE WORST EFFECTS OF THE PREVIOUS TWO DEALS
(ANOMALIES, DIFFERENTIALS).
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7. FISHER WAS QUICK TO NOTE THAT THE PAY ACCORD DISCUSS-
IONS WERE ONLY BEGINNING, AND THE FINAL PACKAGE COULD BE
QUITE DIFFERENT THAN HIS OUTLINE. THERE WAS ALSO THE
POSSIBILITY THAT NO PACKAGE WOULD BE AGREED. HE WAS
AWARE OF THE CAMPAIGN BEING MOUNTED AGAINST AN AGREEMENT.
BUT, IN ANY CASE, HE WAS CONVINCED THAT NOTHING WOULD BE
CONCLUDED BEFORE THE BUDGET THIS TIME. UNION LEADERS
WERE STILL RANKLING OVER THE FACT THAT THEY WERE PLACED
IN A CORNER LAST YEAR BY CHANCELLOR OF THE EXCHEQUER DENIS
HEALEY'S OFFER OF TAX CONCESSIONS DEPENDENT ON PAY
RESTRAINT. THIS TIME THE UNIONS WERE PLAYING IT
CAUTIOUSLY AND WAITING FOR THE BUDGET PROPOSALS BEFORE
THEY DECIDE WHETHER TO "PLAY BALL" OR NOT.

8. COMMENT. FISHER IS ONE OF THE MOST ARTICULATE OF TUC
LEADERS. HE HAS BEEN MOST ACTIVE IN THE RECENT PAST IN
LEADING THE OPPOSITION WITHIN THE TUC TO PUBLIC EXPENDI-

TURE CUTS, WHICH HAVE OR WILL HIT HIS MEMBERS HARDER THAN
MOST WORKERS. BUT HE IS ALSO A REALIST AND IS CLEARLY
AWARE OF THE NEED TO PRESERVE THE OVERALL SOCIAL CONTRACT
BY HAVING A THIRD YEAR OF WAGE RESTRAINT, WHICH IS OF
PARTICULAR IMPORTANCE TO HIS MEMBERS. HIS REMARKS TO US
CONVEY SOME OF THE PROBLEMS THE GOVERNMENT WILL HAVE TO
DEAL WITH IN REACHING ANOTHER ACCORD WITH THE UNIONS.
THEY INDICATE THAT THE DEBATE WITHIN THE UNIONS IS
"HOTTING UP". THE OUTCOME MAY BE CLOSE.

ARMSTRONG

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